

C06508166: Source document is 26 pages (17 pages non-responsive)

~~TOP SECRET RUFF~~  
~~NOFORN NOCONTRACT ORCON~~

(b)(3) NatSecAct

APPROVED FOR  
RELEASE DATE:  
03-Mar-2016

## DIRECTORATE OF INTELLIGENCE

JANUARY 1985\*

## CENTRAL AMERICAN MONTHLY REPORT #18 (U)

## PERSPECTIVE

(b)(1)  
(b)(3) NatSecAct

Managua last month launched a major campaign against the guerrillas and intends to step up the pressure in the next few months. Indications include public and private statements by Sandinista officials, troop and weapons deployments, and increased patrolling (S-NF)

President Ortega stated early in the month that national defense has top priority for 1985 and will consume 40 percent of the budget--

compared with 25 percent last year.

\* Central American Monthly Report #17, which covered events of December 1984, was inadvertently dated January 1985. There is no #16.

This memorandum was prepared by the Central America North and South Branches, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 1 February 1985. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA,

(b)(3) NatSecAct

ALA-M-85-10012J

(b)(3) CIAAct

(b)(3) NatSecAct

Copy 47 of 81

(b)(3) CIAAct  
(b)(3) NatSecAct

(b)(3) NatSecAct

1  
TOP SECRET

APPROVED FOR  
RELEASE DATE:  
03-Mar-2016

TOP SECRET [REDACTED]  
NOFORN NOCONTRACT ORCON

(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

[REDACTED]

The regime is building up troop strength to meet the insurgent threat.

[REDACTED]

[REDACTED] total active duty Army strength has increased by more than 10,000 over the past several months to some 70,000 men, in part due to forced recruitment.

[REDACTED]

The Sandinistas have established overwhelming superiority in firepower--including long-range heavy artillery, multiple rocket launchers, light amphibious tanks, and close air support--in the areas of greatest insurgent concentration. A key military commander in the north recently told the

[REDACTED]

[REDACTED] The remainder of the aircraft are likely to be combat ready within the next month. (S NF)

[REDACTED]

(b)(1)  
(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

(b)(3) NatSecAct

2

[REDACTED]  
(b)(3) NatSecAct

C06508166  
APPROVED FOR  
RELEASE  
DATE:  
03-Mar-2016

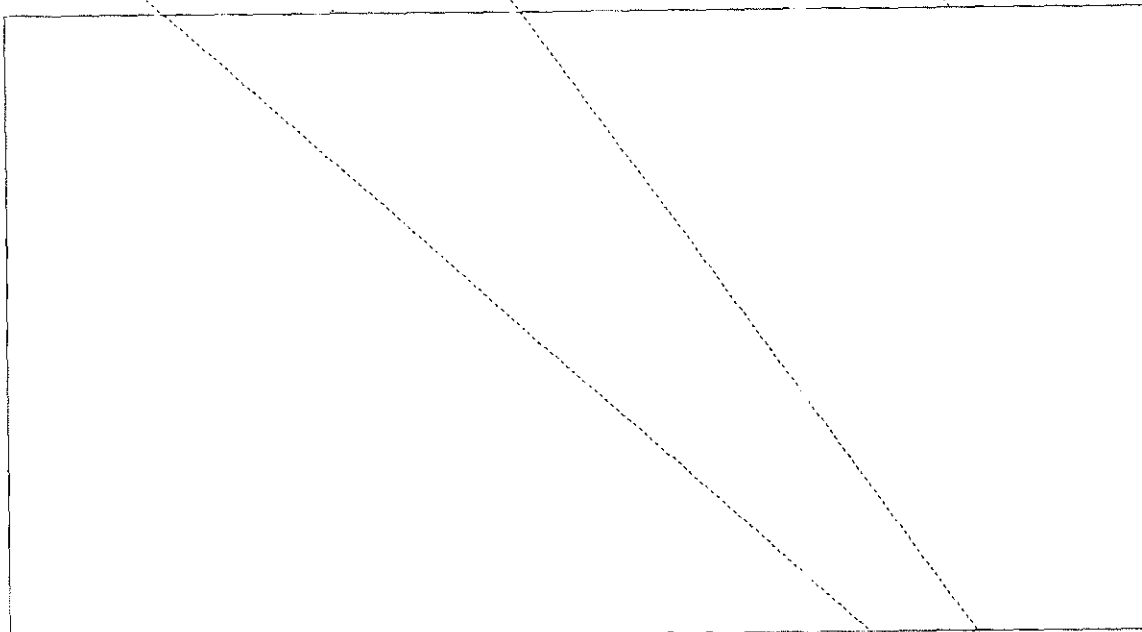
TOP SECRET [REDACTED]  
NOFORN NOCONTRACT ORCON

(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

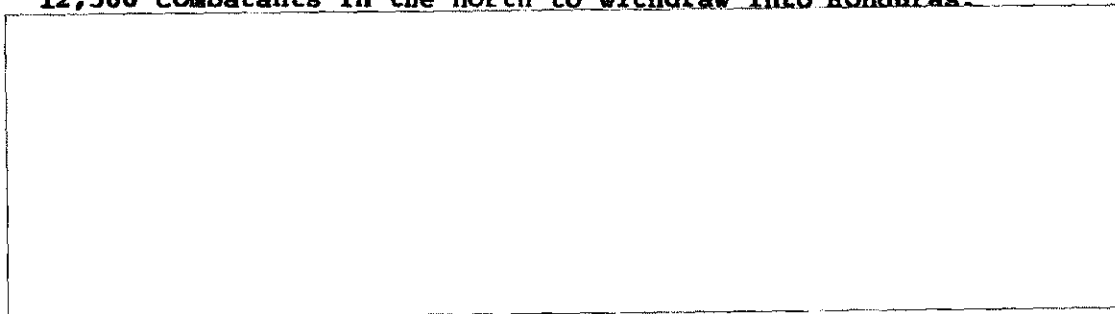


Sandinista shortcomings will continue to hamper the counterinsurgency campaign. Government forces suffer from inadequate command and control [REDACTED]

[REDACTED] and their inefficient logistics system results in frequent shortages of food, munitions, and medicine. The armed forces, moreover, show poor leadership and performance, and desertions from frontline units continue to be a serious problem.



For their part, the insurgents have been suffering from supply problems and eroding morale. Ammunition stocks ran precariously low last month, forcing almost half of the 11,000-12,500 combatants in the north to withdraw into Honduras.



(b)(1)  
(b)(3) NatSecAct

(b)(3) NatSecAct

3  
TOP SECRET

[REDACTED]  
(b)(3) NatSecAct

TOP SECRET  
NOFORN NOCONTRACT ORCON

(b)(3) NatSecAct

APPROVED FOR  
RELEASE DATE:  
03-Mar-2016

(b)(1)  
(b)(3) NatSecAct

Photography of mid-January confirmed that two BM-21s were located in a garrison some 12 miles south of the Honduran border, but none have been detected in forward areas where they would pose a threat to the camp.

Rebel forces also have stepped up ambushes of Sandinista patrols and attacks on transportation, communications, and electrical power targets. In addition, the insurgents continue their sabotage of government economic installations and their efforts to disrupt the current agricultural harvest. ~~(S NF NC OC)~~

(b)(1)  
(b)(3) NatSecAct

\* \* \*

NICARAGUA

Arms Buildup

The Sandinistas continue to improve their air defense network despite recurring problems. Photography of mid-January shows two early warning radars newly emplaced at Los Mercados, near San Juan del Sur, providing coverage of almost all of Costa Rica.

Photography of late January revealed the presence of two new electronic facilities near Corinto. A coastal surveillance site with a Soviet-made radar will permit the Sandinista Navy to locate ships some 35-40 nm off the coast. This site, coupled with the six 37-mm naval antiaircraft artillery guns delivered aboard the Bakuriani last November and subsequently emplaced at Corinto, provide a significant increase in security for the port. ~~(TS R)~~

(b)(3) NatSecAct

(b)(3) NatSecAct

4  
TOP SECRET

~~TOP SECRET~~  
~~NOFORN NOCONTRACT ORCON~~

(b)(3) NatSecAct

APPROVED FOR  
RELEASE DATE:  
03-Mar-2016

The other installation is a new high frequency/directional finding site (HF/DF), which brings the total of HF/DF sites to four countrywide. This new site will further enhance Nicaragua's ability to monitor and locate rebel radios as well as to intercept both civil and military communications in Honduras and El Salvador. ~~(S NC WN)~~

### Political

President Ortega announced no new policy initiatives in his inaugural address on 10 January, and the moderate tone was pitched to appeal to foreigners. Some West European observers interpreted the renewal of the amnesty program as a sign of flexibility, but Ortega did not announce any relaxation of political restrictions. He made few changes in the cabinet, and the relative balance among leadership factions appears the same. Fidel Castro was the only chief of state to attend the inauguration, reflecting foreign disillusionment with the Sandinistas. ~~(S NF)~~

Practically all non-Sandinista political parties signed a document on 11 January, calling for renewal of a "national dialogue," but the Sandinistas sought to deflect the initiative by focusing attention on the National Assembly. The Independent Liberals and a few dissident Conservatives provided the only opposition to the regime in the Assembly's first sessions, but both groups have told the US Embassy that they eventually will walk out. Meanwhile, former presidential candidate Arturo Cruz and insurgent leaders were discussing drawing up a statement of political principles that both internal and external opposition leaders could endorse. ~~(S NF)~~

Catholic Church leaders held another round of talks with the Sandinistas, but Church-state relations remain fragile and could easily be strained further. In late January, the Church announced slightly tougher sanctions against priests serving in government positions but stopped short of permanently defrocking them. ~~(C NF)~~

Meanwhile, Miskito insurgent leader Brooklyn Rivera refused to attend scheduled talks with the government after he was injured in an Army attack while visiting Indian villages in southeastern Nicaragua. Rivera has faced opposition within his own ranks to the talks,

(b) 1

(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

5  
~~TOP SECRET~~

(b)(3) NatSecAct

APPROVED FOR  
RELEASE DATE:  
03-Mar-2016

~~TOP SECRET~~  
~~NOFORN NOCONTRACT ORCON~~

(b)(3) NatSecAct

(b)(1)

(b)(3) NatSecAct

(b)(1)

(b)(3) NatSecAct

(b)(1)

(b)(3) NatSecAct

### Economic

Nicaragua took advantage of Castro's visit early in the month to dedicate a new, Cuban-built sugar refinery. The plant, Havana's largest economic aid project ever undertaken, is not scheduled to begin production until mid-year at the earliest and will not be fully operational until 1987. Over the past two years, [redacted] Cuba has provided 600 workers and \$100 million in grants and credits for the project, which also has received assistance from Libya, East Germany, Sweden, France, the Netherlands, and Canada. (C NF)

[redacted] Nicaraguan exports are down markedly. The largest export crops--coffee and cotton--will be at least 25 percent below the Sandinistas' target this year. Insurgents have hit government plantations, and private growers have been affected by inadequate official prices, labor scarcity, fertilizer and pesticide shortages, and equipment problems. [redacted] gold production also is off by more than half from 1980-1983 levels. The decline reportedly is due to insurgent destruction of equipment and the government's failure to develop new fields. (C NF NC)

On the financial front, Nicaragua has new trade and aid deals with Algeria and Libya. Algiers reportedly is giving the Sandinistas \$23 million worth of crude oil for resale--a near doubling in aid levels from all of last year. Libya signed a \$15 million barter agreement accepting Nicaraguan coffee, cotton, sesame, and bananas for a crude oil delivery last November. (S NF NC)

After six months of delays, Nicaraguan officials finally discussed debt arrearages with international bankers at the end of the month. The bankers agreed to give the Nicaraguans more time to work out arrangements to restart token payments on past due interest, possibly using a repayment formula tied to Nicaraguan export levels.

### EL SALVADOR

(b)(1)

(b)(3) NatSecAct

### Military

The Salvadoran military intensified its already aggressive efforts against guerrilla strongholds in January, launching

~~TOP SECRET~~

(b)(3) NatSecAct

(b)(3) NatSecAct

APPROVED FOR  
RELEASE DATE:  
03-Mar-2016

TOP SECRET [REDACTED]  
NOFORN NOCONTRACT ORCON

(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

operations in northern Morazan, San Miguel, and the Guazapa area, as well as in northern Chalatenango. Key actions included sweeps by five elite US-trained battalions, supported by air and artillery, north of the Torola River and in the Guazapa Volcano area, [REDACTED]. In addition, the 4th Brigade in Chalatenango, led by Colonel Sigfredo Ochoa, moved into guerrilla-controlled areas and established civilian defense teams to deny the insurgents free movement after the troops leave. Meanwhile, the effectiveness of the two C-47 gunships recently supplied by the US was illustrated at San Bartolo Ichamico in mid-month, as the military repelled a large rebel force. Air Force Chief Bustillo claimed he was unaware of US Congressional restrictions against simultaneous use of both gunships. (S NF NC OC)

Insurgent activity remains focused largely on economic warfare. The guerrillas sabotaged the power grid, continued attacks on the coffee industry, and attempted a nationwide transportation stoppage in January. Although the rebels publicly claimed to have ended the traffic disruption by month's end, we expect renewed strikes against transport in February.

Despite these plans, the guerrillas apparently continue to experience significant logistical and other problems.

[REDACTED] growing insurgent difficulties, including breakdowns in leadership and morale. [REDACTED] the Salvadoran armed forces were increasingly effective and could exploit guerrilla problems, thus precluding any chance of a short-term guerrilla victory. These indications of guerrilla weakness were reinforced by insurgent efforts through Salvadoran Church and Mexican intermediaries to secure secret discussions with government emissaries. According to the US Embassy, the guerrillas apparently hoped these talks would avert further erosion of their credibility in Western Europe. (S NF NC OC)

(b)(1)  
(b)(3) NatSecAct

(b)(3) NatSecAct

7  
TOP SECRET [REDACTED]

(b)(3) NatSecAct



APPROVED FOR  
RELEASE DATE:  
03-Mar-2016

TOP SECRET [REDACTED]  
NOFORN NOCONTRACT ORCON

(b)(3) NatSecAct

(b)(1)  
(b)(3) NatSecAct

[REDACTED]

### Economic

The US Embassy in El Salvador reports that guerrilla damage to the infrastructure increased in 1984 to more than \$21 million, up from \$19 million in 1983. If indirect costs are added, such as loss of property of other public and private sector institutions, the toll is said to climb rapidly. Moreover, according to US Embassy analysis, budget outlays in 1984 for defense and public security--23 percent of the total expenditures as compared with 14.4 percent in 1980--have strained the Salvadoran budget and squeezed out spending for education, health, and public works. Direct cumulative damage to the economy as a result of the internal fighting since 1979 is estimated at over \$1 billion. (C NF)

### Political

January saw a reduction of tensions between President Duarte and the military, aided, we believe, by a postponement of the third round of peace talks with the guerrillas until after the March elections. As a result, the political parties began concentrating on the campaign, highlighted by the announcement of a coalition between the moderate rightist National Conciliation Party and Roberto D'Aubuisson's extremist National Republican Alliance. The two parties have done little active campaigning thus far, according to the US Embassy, because the legality of their coalition remains in doubt until the Supreme Court rules on the electoral law. Consequently, the rightist-dominated Elections Council voted to move the balloting from 17 March to 31 March, thus allowing the parties ample time to campaign after the court decision. (C NF)

In spite of the recent legislative collaboration between moderate rightists and extremists in passing bills undermining Christian Democratic programs, various reporting suggests that some moderates are opposed to the coalition and remain amenable to counteroffers by Duarte. The Christian Democrats have the funds and ministerial positions the Conciliation party wants, but their traditional short-sightedness has been reflected in an unwillingness to make concessions, thereby helping solidify the coalition. (S NF)

Nevertheless, we believe most moderate rightists are

(b)(3) NatSecAct

8  
TOP SECRET [REDACTED]

[REDACTED]  
(b)(3) NatSecAct

TOP SECRET [REDACTED]  
 NOFORN NOCONTRACT ORCON

(b)(3) NatSecAct

APPROVED FOR  
 RELEASE DATE:  
 03-Mar-2016

(b)(1)  
 (b)(3) NatSecAct

(b)(1)  
 (b)(3) NatSecAct

uncomfortable with D'Aubuisson, whom they view as irrational and whose lack of political acumen they disdain.

The moderates' longstanding reservations over D'Aubuisson's radical tactics are being echoed by some of his own party members.

[REDACTED] his image is hampering efforts to broaden his party's base of support. A high party official also recently confided to US Embassy officials that contributions are drying up because of D'Aubuisson's failure to intensify organizational and fundraising efforts. (S NF NC OC)

The most serious indication of the increasing unease with D'Aubuisson within the party

[REDACTED] probably reflects a growing belief among key party players that D'Aubuisson's liabilities are rapidly outweighing his assets as a charismatic campaigner. (S NF NC OC)

Nevertheless, the likelihood that the Christian Democrats will be able to capitalize on such dissension remains questionable. Their traditional tendency to see themselves as being under siege has been reinforced by rightist cooperation during the past few weeks. As a result, Christian Democratic leaders--as evidenced by Duarte's recent public statements chastising the moderate right--appear increasingly inclined toward a strategy of confrontation. (S NF)

#### PANAMA

#### Political/Economic

Tensions continued to grow in January as the three-month-old fiscal and liquidity crisis lingered with no resolution in sight. President Barletta has displayed none of the political skills necessary to build public consensus on the need for increasing taxes while reducing government expenditures. By submitting an unbalanced budget--in violation of the Constitution--the President is trying to put the onus for fiscal measures on the legislature, but the Assembly is demanding that

(b)(1)  
 (b)(3) NatSecAct

(b)(3) NatSecAct

9  
 TOP SECRET [REDACTED]

(b)(3) NatSecAct